



# **Michigan State Planning Project** for the Uninsured

## **Project Report** August 2006



Prepared by the Michigan Department of Community Health  
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Resources and Services Administration (HRSA)

# Acknowledgements

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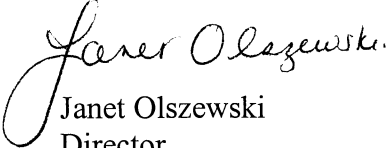
August 25, 2006

On behalf of the Michigan State Planning Project for the Uninsured, I am pleased to present the following Project Report. This report includes the Advisory Council's recommendations for expanding access to health insurance for all Michigan residents.

Council members reviewed a wealth of information about the uninsured and insurance expansion options, talked to national and state experts, and examined data gathered pursuant to the federal Health Resources and Services Administration (HRSA) grant, which funded this project. Thousands of Michigan residents and business owners were surveyed in the Household and Employer Surveys, and hundreds of Michiganians were heard from at focus groups and town hall meetings. Three workgroups, comprised of almost 200 individuals, contributed thousands of volunteer hours to research various health coverage expansion models and provide information to inform the Advisory Council's discussions. The results of the data gathering efforts, as well as the workgroup and Advisory Council documents are available at [www.michigan.gov/spg](http://www.michigan.gov/spg).

The Michigan Department of Community Health appreciates the opportunity to provide this report and looks forward to achieving accessible, affordable, quality health insurance for all Michigan residents.

Sincerely,

  
Janet Olszewski  
Director



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Michigan Primary Care Association  
Michigan Association for Local Public Health  
Greater Flint Health Coalition  
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## Table of Contents

Michigan State Planning Project for the Uninsured.....	1
Problem Identification and Background Information .....	1
What Does the Project Data Indicate about Michigan’s Uninsured?.....	4
Advisory Council Recommendations .....	12
Appendix I – Advisory Council .....	<a href="http://www.michigan.gov/spg">www.michigan.gov/spg</a>
Appendix II – Community Interface Workgroup.....	<a href="http://www.michigan.gov/spg">www.michigan.gov/spg</a>
Appendix III – Data Synthesis Workgroup.....	<a href="http://www.michigan.gov/spg">www.michigan.gov/spg</a>
Appendix IV – Models Development Workgroup.....	<a href="http://www.michigan.gov/spg">www.michigan.gov/spg</a>
Appendix V – Models Development Workgroup Recommendations to the Advisory Council – “Getting from Here to There” .....	<a href="http://www.michigan.gov/spg">www.michigan.gov/spg</a>

# *Michigan State Planning Project for the Uninsured Project Report*

In light of pressing concerns surrounding the issue of the uninsured and the growing problem of access to affordable health insurance for Michigan's residents, the Michigan Department of Community Health (MDCH) launched the Michigan State Planning Project for the Uninsured. This initiative was funded by a federal Health Resources and Services Administration (HRSA) grant with the goal of developing realistic strategies to extend health insurance to all Michigan residents. MDCH coordinated this initiative from late 2004 through August 2006.

An integral component of the State Planning Project for the Uninsured was to expand the current knowledge base about uninsurance by collecting data about unmet needs, barriers to insurance coverage, and system changes needed to secure coverage for all Michigan residents. Data collection efforts included: the Michigan Household Health Insurance Survey of over 13,000 Michigan households; the Michigan Employer Health Insurance Survey of 1,200 Michigan employers; Focus Groups with employers,

insurance brokers and the uninsured; and a Health Care Listening Tour consisting of eleven town hall meetings around the state.

Key to the project was a broad-based, responsive, and effective governance structure, including an Advisory Council to the Michigan Department of Community Health and three workgroups. The Advisory Council was appointed by the Director of MDCH, and included representatives of large and small businesses, unions, health care providers, local Chambers of Commerce, health plans, seniors, free clinics, consumers, local public health, and insurers. Three workgroups (Data Synthesis, Models Development, and Community Interface) assisted the Advisory Council by reviewing data gathering instruments and analyses; assessing models to expand insurance coverage; and developing strategies to engage stakeholders and build consensus.

The Advisory Council's recommendations can be found on page 12 of this report.

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## *Problem Identification and Background Information*

The health consequences of being uninsured are well documented, as are costs associated with caring for the uninsured. These, along with rising health care costs, are creating challenges throughout Michigan. According to the Current Population Survey (CPS) (2002-04 average), 11.4%, or approximately 1.1 million Michigan residents were uninsured. CPS estimates of the uninsured are higher than those based on the Michigan Household Health Insurance Survey, which found Michigan's uninsured population to be 800,000, or 7.8% of the population. (This difference between the survey findings may be explained by the number of people interviewed and by the questions, definitions, and methods used in the surveys. State surveys typically find lower rates of uninsurance than do CPS national surveys. While the Household Survey provided greater detail on the characteristics of the uninsured in Michigan, including regional data, CPS data is valuable as a

source to compare Michigan's uninsured with those in other states and with the nation.)

Michigan has historically had a lower proportion of residents without health insurance than the national average, due primarily to the high-rate of employer-based coverage in Michigan. According to the CPS, in 2004, the percentage of non-elderly Michigan residents covered by employment-based health insurance was 68%, compared with 62% nationally; however, this was a reduction from previous years as the rate of employer-based coverage, both nationally and in Michigan, has dropped steadily over time.

The continued loss of manufacturing jobs, combined with a sluggish economy, has eroded employer-based coverage in Michigan. Michigan, like the nation, continues to struggle with increased demand for public insurance coverage; approximately 15% of Michigan's population is now covered by Medicaid.

## Data Sources on the Uninsured

Prior to the State Planning Project for the Uninsured, Michigan relied on four sources to provide data on health insurance coverage in Michigan. These were: 1) U.S. Census Bureau Current Population Survey (CPS); 2) Urban Institute National Survey of American Families (NSAF); 3) Michigan Behavioral Risk Factor Surveillance System (BRFSS); and 4) Michigan State University's State of the State Survey (SOSS). These surveys provide data on Michigan's level of uninsurance by race/ethnicity, firm size, type of firm (public/private sector), and general information regarding the prevalence of uninsurance among children. However, gaps exist in this data.

The State of Michigan is large, both in terms of geography and population and the characteristics of uninsured individuals vary significantly across the state. In order to develop health care coverage strategies that address the diversity of persons who are uninsured, it is beneficial to consider data on the uninsured at the regional level. It is also important to examine data concerning business attitudes, practices and beliefs relative to employer-based insurance throughout the state. The data gathered as part of this project provided much of this necessary information.

## Everyone Pays

Access to and cost of quality health care are important issues for Michigan's communities and for the state. In 2002, the Michigan Economic Development Corporation commissioned a study on factors that could affect the business climate and competitiveness of Michigan. This study identified Michigan's employer-based health insurance premiums for individual policies in 1999 as the highest of the benchmark states.<sup>1</sup> High premiums have contributed to the decline in recent years in employer-based coverage in Michigan and nationally.

Michiganians with insurance are paying more every year for health care benefits that are being reduced over time, and many are at risk of losing their coverage altogether. Employers face large, unpredictable increases in their health insurance premiums annually. The rise in health insurance premiums has generally outpaced inflation and

increases in workers' earnings since the late 1980s. Since 2000, premiums for family coverage have increased by 73%, compared with a 13% growth in consumer prices and an earnings growth of 16%.<sup>2</sup>

Cost-shifting trends are also not sustainable.

Hospitals and physicians shift the cost of services for the uninsured to other payers. In 2005, the direct impact of cost shifting on employers in Michigan was estimated to be 6.5% of premium costs.<sup>3</sup> Employers and individuals who purchase insurance pay a significant portion of the costs for health care for the uninsured or underinsured. Families USA estimates that in 2005 in Michigan, \$730 a year was added to the cost of a family policy and \$274 a year to an individual policy, to cover health care costs of the uninsured.

Rapidly rising health care costs have weighed down Michigan's large automotive industry and have become a major competitive burden, adding \$1,500 to the cost of each vehicle, according to General Motors Corporation Chairman and Chief Executive Officer G. Richard Wagoner Jr.<sup>4</sup>

## Health Status of Michigan Residents

A major contributor to the high cost of health insurance in Michigan is the poor health status and unhealthy lifestyles of Michigan residents. Michigan has an unacceptably high ranking nationally for deaths from heart disease; it ranks number two in diabetes mortality, and has the seventh highest percentage of smokers.<sup>5</sup> About 61% of Michigan residents are overweight or obese.<sup>6</sup> To address these concerns, the first state Surgeon General in the country was appointed in 2003 in Michigan, Dr. Kimberlydawn Wisdom. The Surgeon General released the Healthy Michigan 2010 Health Status Report and the Prescription for a Healthier Michigan, which identify leading health threats to Michigan

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<sup>2</sup> Claxton, Gary, et al. *Employer Health Benefits: 2005 Annual Survey*. (Kaiser Family Foundation/Health Research and Educational Trust, 2004).

<sup>3</sup> Families USA. *Paying a Premium: The Added Cost of Care for the Uninsured*. June 2005.

<sup>4</sup> Ceci Connolly. Washington Post. *U.S. Firms Losing Health Care Battle, GM Chairman Says*. February 11, 2005.

<sup>5</sup> National Center for Chronic Disease Prevention and Health Promotion, CDC. 2003. *Prevalence Data*.

<sup>6</sup> 2004 Behavioral Risk Factor Survey. *Health Risk Behaviors in the State of Michigan*.

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<sup>1</sup> Altarum. *Healthcare Costs and Premiums: Michigan Compared with Selected Benchmark States*. March 31, 2004.

residents and recommend a plan of action for improving health. Progress in improving Michigan's health continues to be impeded by the increasing number of uninsured, and the concomitant reduction in access to health care.

### **The Burden of Uncompensated Care**

The burden of uncompensated care on local health care systems threatens the survival of individual providers and hospitals, reducing access to care and the viability of the economic base of these communities. Further, increased demand for services by the uninsured in already busy hospital emergency departments jeopardizes access and quality of care for both the insured and the uninsured. In 2005, there was \$43 billion worth of uncompensated care provided to the 48 million uninsured in the United States. Michigan had \$1.1 billion in uncompensated care.<sup>7</sup>

### **Amassing Medical Debt**

Large health care costs for uninsured low-income families can be financially disastrous. Two out of five Americans aged 19-65, or 77 million Americans report they had problems paying medical bills in the last 12 months or were paying off medical debt they had accrued over the past three years.<sup>8</sup> Medical debt is now a factor in as many as 50% of personal bankruptcies.<sup>9</sup>

### **Real People with Real Health Risks**

The uninsured receive less preventive care, are diagnosed at more advanced disease stages, and once diagnosed, tend to receive less care and have higher mortality rates than the insured.<sup>10</sup> Uninsured adults have a 25% greater mortality risk than do insured adults, accounting for an estimated 18,000 deaths annually. They have worse outcomes for chronic conditions such as diabetes, cardiovascular disease, end-stage renal disease, and HIV. Uninsured children are at greater risk of suffering delays in development that may affect their educational achievements, earning capacity and long-term health. The economic value of a healthier and longer life that

an uninsured individual forgoes ranges between \$1,645 and \$3,280 for each year without coverage.<sup>11</sup>

### **Benefits to Covering the Uninsured**

The uninsured receive many benefits when they become insured; however, the benefits to the insured are also significant. As noted by the Institute of Medicine, "It is both mistaken and dangerous to assume that the prevalence of uninsurance in the United States harms only those who are uninsured."<sup>12</sup>

### **Efforts to Reduce the Number of Uninsured**

The Household Survey found that publicly-funded programs, such as Medicare and Medicaid, cover 16% of the state's insured adults under the age of 65 and 28% of insured children. The number of people covered by Medicaid, both in Michigan and throughout the United States, is growing. Medicaid now covers 1.5 million Michiganians, an increase of 35%, or nearly 400,000 over the past five years, many of whom are low-income children who have lost dependent coverage and adults who have lost their jobs and exhausted their unemployment benefits.

The state has been actively involved in expanding coverage since the enactment of the Public Health Code in 1978. These efforts have contributed to an uninsurance rate in Michigan that is lower than the average for the nation. Strategies to reduce the number of uninsured include: the enactment of Public Act 350, which established Blue Cross Blue Shield of Michigan as the insurer of last resort; the creation of MICH Care, later expanded and renamed Healthy Kids and the Maternity Outpatient Medical Services (MOMS) program; the Transitional Medical Assistance program; the Breast and Cervical Cancer Control Program; the MIChoice Waiver, expanding home and community-based health services for aged and disabled persons who are nursing home eligible; the State Children's Health Insurance Program; the Adult Benefit Waiver; and, most recently, the Family Planning Waiver.

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<sup>7</sup> Families USA. *Paying a Premium: The Added Cost of Care for the Uninsured*. June 2005.

<sup>8</sup> Commonwealth Fund.

<sup>9</sup> David U. Himmelstein et al. *Marketwatch: Illness and Injury as Contributors to Bankruptcy*. Health Affairs, Web Exclusive. February 2, 2005.

<sup>10</sup> Kaiser Commission on Medicaid and the Uninsured. *The Cost of Not Covering the Uninsured*. June 2003.

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<sup>11</sup> Institute of Medicine of the National Academies. *Hidden Costs, Value Lost: Uninsurance in America*. June 2003.

<sup>12</sup> Institute of Medicine of the National Academies. *A Shared Destiny: Community Effects of Uninsurance*. February 2003.



## ***What Does the Project Data Indicate About Michigan's Uninsured?***

The Michigan Department of Community Health (MDCH) contracted with the Michigan Public Health Institute (MPHI) to collect information on Michigan's uninsured and on employers who have traditionally provided health insurance to workers. In addition, MDCH conducted Town Hall meetings across Michigan to learn about the magnitude, causes and effects of uninsurance in each community. A complete report for each data source is available at [www.michigan.gov/spg](http://www.michigan.gov/spg)

### **The Michigan Household Health Insurance Survey**

MPHI conducted the Household Survey from December 2004 through August 2005. This telephone survey focused on the uninsured at the state and regional levels. During this effort, MPHI collected information from 34,113 individuals in 13,091 Michigan households.

### **Michigan Employer Health Insurance Survey**

Because the current status and future of employer-sponsored health coverage impact policy decisions about extending coverage, MPHI developed the Employer Survey. This was conducted from August through November 2005. This survey was sent to 12,000 randomly selected businesses located throughout the state, 1,261 of which completed and returned their questionnaires.

### **Town Hall Meetings**

Town hall meetings conducted by MDCH staff and local community partners from September through December 2005, provided information about the beliefs of more than 600 Michigan residents who participated in the project's Health Care Listening Tour. These meetings "put a face" to the uninsured and helped the Advisory Council better understand the impact of uninsurance on local communities.

### **Focus Groups**

MPHI held focus groups with employers, insurance agents and uninsured individuals in eight cities throughout Michigan. In addition, MPHI conducted 90 telephone interviews to supplement information from the focus groups.

### **Types of Data Gathered**

The data sources cited above contain quantitative data from the Household and Employer Surveys, and

qualitative data from the Town Hall meetings and Focus Groups.

Qualitative data from the Health Care Listening Tour and Focus Groups are in shaded boxes, and are included to show themes.

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### **Who Are Michigan's Uninsured?**

Michigan's uninsured are friends, neighbors, and possibly, even family members. The uninsured are very much like people who have health insurance, but they have found themselves in situations where coverage is not available or affordable.

According to the Household Survey, 10.9% of Michigan residents between the ages of 18 to 64 are uninsured, representing almost 700,000 uninsured adults. The rate of uninsurance for those under the age of 18 is 3.7%, accounting for almost 100,000 uninsured children. Although Michigan residents of any age may be uninsured, a disproportionate number are young adults. Over 26%, or almost 210,000 of the uninsured, are between the ages of 18 and 29.

The uninsured rate varies considerably among different regions within the state. The City of Detroit has the highest adult uninsured rate at 17.5%, with the Northern Lower Peninsula following closely with 16.5% uninsured. Southeast Michigan, not including the City of Detroit, has the lowest rate at 8.6%. The uninsured rate for children is more evenly distributed across the state.

### **Reasons for Being Uninsured**

According to the Household Survey, about two-thirds of uninsured adults report that the primary reason they are uninsured is because they can't afford insurance, or they've lost or left a job that provided coverage. For children, 37% are uninsured because they became ineligible for coverage and another 33% because health insurance is unaffordable.

### **Most of Michigan's Uninsured Are the Working Poor**

The Household Survey found that 80% of Michigan households with an uninsured member have at least one adult who is either employed by others, or is self-employed. Of these households, 73% include a

member working 40 or more hours per week, possibly at two or more part-time jobs. Nearly 62% of these households have a member who works for an employer that offers health insurance to at least some of his or her employees; however, only 47% of workers are actually eligible for coverage. Reasons for ineligibility include being a part-time or temporary worker, or not having worked long enough.

There are an estimated 60,000 households in Michigan where there is a worker who is eligible for coverage, but does not take it. More than 65% of the time it is because they cannot afford their share of the cost.

About 120,000 Michigan households include insured workers, living with uninsured individuals who are

not covered by the worker's employer-sponsored plan. Almost 40% are ineligible because they are not immediate family members of the worker and 27% are ineligible generally due to their age. Another 19% are uninsured because the household cannot afford the cost for dependent coverage.

According to the Household Survey, the income for about one-quarter of Michigan's uninsured falls below the 2005 Federal Poverty Level (FPL) Guidelines. This means that 26% of the state's uninsured live on annual incomes of less than \$9,570 for an individual or \$16,090 for a family of three. Almost two-thirds of Michigan's uninsured live below 200% FPL, which is \$19,140 for an individual or \$32,180 for a family of three.

### ***Working Poor\****

#### ***Listening Tour Participants' Comments:***

- Most of the uninsured are employed; however some who are offered employer-based insurance are unable to afford their share of the premium, while others are not offered insurance by their employer and are unable to afford an individual policy.
- Individuals who are unable to afford health insurance premiums are charged considerably more for medical services than the insured because they are charged the full rate for services, whereas insurance companies negotiate a discounted rate.

#### ***Uninsured Focus Group Participants' Comments:***

- Most uninsured focus group participants were employed. Many had been insured in the past, but lost coverage when their company downsized and they lost their jobs. Other participants were not eligible for insurance because they were working part-time.

*\* The opinions of Health Care Listening Tour and Focus Group participants are qualitative data. The themes are presented for descriptive purposes.*

### **Employer-Based Coverage Remains the Primary Source of Health Insurance**

Of the 1,261 businesses that participated in the Employer Survey, 60% reported that they offer health insurance coverage to at least some of their employees, and 40% reported that they do not offer insurance to any of their employees. Over 84% of employers that provide health insurance to workers also cover spouses and dependents of employees.

The Household Survey found that the majority of Michigan residents with health insurance obtain their coverage through employer-sponsored plans. For adults aged 18 to 64 with insurance, 81% receive coverage through their employer. For insured children, 71% receive coverage through employer-sponsored health plans.

### **Industry type, Employer Size, and Time in Business Impact Employer-Based Coverage**

The Household Survey found that the industry in which people work makes a difference as to whether they have health insurance. The uninsured are found disproportionately working in service jobs.

Among respondents to the Employer Survey, 83% of government entities offer insurance to at least some of their employees, as do 75% of manufacturers, 64% of health care providers, 60% of general merchandise and clothing stores, and 51% of personal or business service employers. In contrast, 42% of employers involved in farming or ranching offer health insurance to at least some of their employees, followed by 40% of employers that run food stores and 37% of employers operating eating and drinking establishments.

In general, the more employees businesses have, the more likely they are to offer insurance. The percentage of employers offering health insurance ranges from 31% of employers with less than five employees, to 98% for those with more than 100 employees.

The percentage of employers offering health insurance generally increases with gross revenue, ranging from 11% for employers with gross revenues between \$10,001 and \$50,000, to 84% for those with gross income of more than \$500,000. The percentage also increases with length of time in business. The percentage of employers offering health insurance ranges from 25% for employers that have been in business for less than two years, up to 74% for those in business more than 20 years.

### **Workforce Characteristics of Employers Who Offer and Do Not Offer Insurance**

Employers with a larger percentage of full-time workers are more likely to offer health insurance. On average, employers offering health insurance have 74% full-time and 20% part-time workers, compared to 53% full-time and 37% part-time workers for employers who do not.

On average, employees offered health insurance earn more than those who are not offered coverage. More than two-thirds of employees working for employers who offer health insurance earn more than \$20,000 per year, while only about one-third of employees who work for employers who don't offer coverage earn more than \$20,000.

### **Employer-Sponsored Retiree Coverage**

Almost one in five employers that offers insurance to at least some of their employees offers Medicare supplemental or health insurance coverage to retirees over the age of 65. Nearly 17% cover retired employees under the age of 65. More than three-quarters of employers who offer coverage also cover their retirees' dependents.

### **Eligibility for Employer-Sponsored Coverage**

Nearly 87% of employers require workers to be employed three months or less before becoming eligible for health insurance coverage, with 17% allowing immediate eligibility upon hire.

Thirty percent of employees who are offered health insurance must work at least 40 hours each week to be eligible. Almost half are required to work from 30 to 39 hours per week, and 22% need to work less than 30 hours per week to be eligible for health coverage.

### **Some Employees Decline Coverage**

On average, employers report that 75% of their workforce is eligible for the company health insurance plan, but only 61% are enrolled. The major reason that employees decline coverage is because they're covered through a spouse's health insurance plan. Some decline coverage because they can't afford the premiums.

About one-fifth of employers require their employees to show proof of health insurance coverage before allowing them to decline enrollment in their company's health insurance plan. Almost one-third offer other compensation to employees who decline coverage.

### **Amount Employers Pay Toward Premiums**

Nearly 73% of employers offering health insurance pay between 76% and 100% of premium costs for full-time employees, and 53% pay the same percentage for dependents of full-time workers. Only three percent of employers offering health insurance pay nothing toward the premium cost for their full-time employees and 27% pay nothing for dependents of full-time employees.

Of the 721 responding employers who offer health insurance, 20% self-insure a portion of their insurance program. In general, the more employees in a company, the more likely the employer is to self-insure.

## **Why Employers Offer or Do Not Offer Health Insurance**

Employers cite the following reasons for offering coverage:

- It is the right thing to do (90%)
- It increases loyalty and decreases turnover (85%)
- It helps with employee recruitment (84%)
- Employees demand or expect it (79%)
- Competitors offer it (70%)
- It increases productivity by keeping employees healthy (70%)
- Owner wants or needs coverage (56%).

Employers who do not offer insurance cite the following reasons why they don't offer insurance:

- Premiums are too high (92%)
- Financial status of the company (79%)
- Employees are unwilling to contribute to the cost of premiums (66%)
- Employees are covered under other plans (64%)
- Can't meet insurance participation requirements (52%)
- Most employees are part-time, temporary or contractual (52%)
- It is not needed to attract good employees (50%).

### **High Health Care Cost is Culprit**

Seventy-four percent of employers who do not offer health insurance to their workers "strongly agree" that they would be more likely to offer coverage if

costs weren't so high, and 15% "somewhat agree". More than 80% would be willing to offer coverage if changes in premiums were more predictable.

### ***Challenges to Employers and Workers Caused by Increasing Health Care Costs\****

#### ***Listening Tour Participants' Comments:***

- Costs for uncompensated care for the uninsured result in higher health care costs for those who pay for care. Increased costs cause insurance premiums to rise beyond what some employers can afford, so they drop coverage for their employees, thus adding to the number of uninsured. Other employers increase their employees' share of the cost, which causes some employees to decline coverage, so they too become uninsured. Others take the insurance but find they can't afford the higher deductibles and co-payments, so they become effectively uninsured. This increase in the number of uninsured results in additional uncompensated care, and the cycle repeats itself.
- Some employers control their health insurance costs by keeping workers on part-time status, so they aren't eligible for their group plans.
- Most individuals find COBRA payments are too expensive to allow them to continue their health insurance coverage when they lose their job.
- Rising health care costs harm Michigan's economy by stifling entrepreneurship and suppressing small business start-ups. It also causes the uninsured to close small businesses and take jobs that provide health insurance.
- Some Michigan workers have seen their jobs transferred to other states and overseas as companies search for lower labor and production costs.

*\* The opinions of Health Care Listening Tour participants are qualitative data. The themes and quotes are presented for descriptive purposes.*

### The Future of Employer-Sponsored Plans

Among employers who offer health insurance to their workers, six percent report it is “somewhat likely” and three percent report it is “very likely” they will not offer coverage next year.

In addition, 62% of employers think it is likely they will shift more of the cost of premiums to their employees in the next year; more than half stated they might switch to another insurance provider; 48% believe they might reduce benefits; and 44% believe they may offer a high deductible plan with a health savings account. More than 16% of employers say they are likely to eliminate or reduce dependent coverage. On the other hand, of

responding employers who don’t offer insurance, three percent report their companies are “likely” to offer health insurance, and 10% report their companies are “somewhat likely” to offer coverage within the next year.

### Time without Insurance

According to the Household Survey, nearly 60% of uninsured adults and more than 40% of uninsured children have been without health insurance for more than two years, or have never been covered.

<i>Length of Time Michigan’s Residents Have Been Uninsured</i>				
	<b><u>Less than 6 Months</u></b>	<b><u>6 Months to 2 Years</u></b>	<b><u>Longer than 2 Years</u></b>	<b><u>Never had Insurance</u></b>
<b>Uninsured Children</b>	<b>31%</b>	<b>26.1%</b>	<b>31.9%</b>	<b>11%</b>
<b>Uninsured Adults</b>	<b>16.4%</b>	<b>24.6%</b>	<b>54.4%</b>	<b>4.6%</b>

### Lack of Insurance and Cost of Services are Barriers to Accessing Health Care

The Household Survey found that over half of Michigan’s uninsured adults have difficulty finding medical care since becoming uninsured. More than 40% pointed out that finding medical care for their children is also difficult. Over half (55%) of Michigan’s uninsured adults feel they needed to see a doctor over the past year, but couldn’t afford it and 27% indicated they could not afford to take their child to see a doctor. Nearly 40% of uninsured adults

and 18% of children have no regular place to go for medical care.

Almost half of uninsured adults believe the most worrisome aspect of being uninsured is not being able to pay for their health care and 40% have a similar fear about their ability to pay for their children’s care. The survey found that more than one-third of uninsured adults and 21% of families with uninsured children have accumulated large medical bills, which they have found difficult to pay.

## ***Challenges Facing the Uninsured\****

### ***Listening Tour Participants' Comments:***

- Increasing numbers of uninsured individuals are seeking care at free and low-cost health care clinics. Many are people who were previously insured.
- The patchwork of insurance and coverage programs is expensive and doesn't meet the needs of many of Michigan's residents. As a result, those without insurance don't receive the care they need in a timely fashion, so they are sicker and their care is more costly when they finally receive it.
- Lack of dental care, and mental health and substance abuse treatment for the uninsured lead to greater health care expenses in the long run.
- Access to prescription drugs and specialty care are huge concerns for the uninsured.

### ***Focus Group Participants' Comments***

#### ***Uninsured Individuals:***

- The uninsured feel that having health insurance is very important because it provides security, which they define as being able to see a doctor for preventive care to avoid future health problems, and not missing work due to illness. They also feel that insurance provides a way to avoid costly medical bills that may result in their financial ruin.
- Most focus group participants do not receive preventive care, laboratory tests, and maintenance prescriptions. Many also forego dental or vision check-ups. Participants with potentially serious medical conditions stated that they have been unable to see a specialist for tests or procedures because they use free clinics and low-cost health centers that do not provide specialty care.
- The uninsured try to avoid using emergency rooms, but say that there are times when they are unable to get an appointment elsewhere or find themselves needing care after business hours.
- Some focus group members with pre-existing conditions who had attempted to purchase health insurance discovered that their conditions made coverage unaffordable, if it was available at all.
- Specific age groups over-represented among the uninsured include: young adults; women 55 to 64, many of whom are caregivers; part-time workers; early retirees; health care workers; farmers; small business owners and their employees; divorced individuals; low-wage earners; substitute teachers, and paraprofessionals.
- The reasons group participants were without health insurance included: losing coverage when they were laid off from their jobs; not being able to afford their share of employer-based health insurance or COBRA; and not qualifying for government insurance programs, such as Medicaid.
- According to uninsured participants, paying for health insurance on their own is not feasible because it is unaffordable. Some participants had tried to afford insurance by cutting back on household expenses, but found the cost prohibitive. Many said that the cost of health insurance premiums is more than their monthly income.

*\* The opinions of Health Care Listening Tour and Focus Group participants are qualitative data. The themes and quotes are presented for descriptive purposes.*

## **Paying for Health Care**

According to the Household Survey, 93% of individuals living in a household with at least one uninsured member are willing to pay for health insurance that covers doctor visits, hospitalizations, and prescription drugs through an employer-based plan. Over 35% would be willing to pay up to \$50 per month and another 30% would be willing to pay between \$50 and \$100 per month; 27% are willing to pay more than \$100 per month.

Similarly, 90% of respondents in households with at least one uninsured individual would be willing to

pay for a government-sponsored basic coverage plan, with 41% willing to pay up to \$50 per month and another 30% willing to pay between \$50 and \$100 per month; 19% are willing to pay more than \$100 per month. Over 92% of households with an uninsured child would enroll them in a government-sponsored health insurance program requiring no monthly premium, while 94% would enroll their children in such a program requiring a \$5 monthly premium.

### ***Sharing the Responsibility of Paying for Health Care\****

#### ***Listening Tour Participants' Comments:***

- Everyone should contribute toward the cost of making affordable health insurance available to all residents. Employers, employees and individuals should all pay their fair share based on ability to pay.

#### ***Focus Group Participants' Comments***

##### ***Uninsured Individuals:***

- Uninsured individuals prefer that costs for health insurance be on a sliding scale, based on income.

##### ***Employers:***

- Most employers believe health care to be a concern of business owners.
- Employers generally agreed that a fair system of financing health insurance would involve the employer and the employee sharing the costs of coverage. Others would like to see government contribute to the cost of health insurance and suggest the employer, employee and government each pay one-third of the cost. Others suggest that contributions from employers and employees should be a percentage of their income/revenues, with government subsidizing the remaining portion of premiums.
- Many employers, whether they offer or do not offer health insurance, say they feel that the government has to act to reduce the number of people without health insurance.

##### ***Insurance Agents:***

- Agents believe that the current method of financing health insurance is fair because employers receive tax deductions and employees can finance their share with pre-tax dollars. Several agents suggested the government should provide a state plan with basic coverage for those who can't afford private plans.
- Most participants agreed that the government would be helpful in educating the public about the true cost of health care, and some support the government making quality and price information about physicians and hospitals available to the public. There was general support for state and federal governments creating more free and low-cost clinics.

*\* The opinions of Health Care Listening Tour and Focus Group participants are qualitative data. The themes and quotes are presented for descriptive purposes.*

## ***Health Care Access, Benefit Packages and Personal Responsibility\****

### ***Listening Tour Participants' Comments:***

- Participants across Michigan believe that health care must be available to all, but should be linked to individuals making wiser lifestyle choices.
- All Michigan residents should have access to a basic array of preventive care, screenings, primary health care services, disease management and hospitalization.
- It is particularly critical that preventive care be provided to all Michigan residents, since prevention saves money, in addition to enhancing the quality of life. It would also make financial sense to better manage chronic disease in Michigan to prevent, or at least limit, episodes of critical illnesses.

### ***Focus Group Participants' Comments***

#### ***Uninsured Individuals:***

- The majority of uninsured participants feel that it should be a priority to create more free and low-cost clinics. Others recommend: organizing free health screenings and health fairs; creating a universal health care plan; and changing the income guidelines for government-sponsored programs so more individuals qualify for assistance.

#### ***Insurance Agents:***

- Agents believe that selling health insurance would be easier if agents were able to sell basic plans with optional add-on benefits.
- Agents indicated that if everyone had health insurance, risk pools would be larger, thus spreading health risks across the population. Some agents envision a government-subsidized high-risk pool, with high-risk insured individuals possibly paying higher premiums than lower-risk individuals.

*\* The opinions of Health Care Listening Tour and Focus Group participants are qualitative data. The themes and quotes are presented for descriptive purposes.*



## *Advisory Council Recommendations*

### **Process**

The Advisory Council met monthly between August 2005 and August 2006 to develop recommendations for expanding access to health insurance for all Michigan residents. During this project, over 40 options and mechanisms to extend health insurance to the uninsured were considered; these included health savings accounts, expansion of Medicaid, buy-in to the state employee plan, high deductible/catastrophic plans, high risk pools, and a multitude of other options.

The Advisory Council made its recommendations following thorough discussion and careful consideration of information from national organizations dedicated to studying health care issues, and documents specifically about Michigan's uninsured, as well as data gathered as part of the project, including the Household and Employer Surveys, and the focus group and town hall meetings. Consultants, who have worked extensively on health insurance expansion planning, were brought in to work with the Advisory Council, workgroup members and staff.

Using a consensus approach among key stakeholders and reflecting the quantitative and qualitative data collected, the Advisory Council developed the following recommendations to extend access to health insurance coverage to Michigan's uninsured.

### **Preamble**

The Advisory Council for the Michigan State Planning Project for the Uninsured supports the goal of accessible, affordable, quality health insurance coverage for all Michigan residents. The Council reached agreement on numerous short-term recommendations to increase access to health insurance coverage. Implementation of these recommendations would secure access to health insurance coverage for the majority of those who are currently uninsured.

A key first step is a public education initiative to inform policy makers, the public, and businesses of the importance and value of health care coverage for all Michiganians, to improve not only the quality of

life, but also the business and economic climate in this State.

The members of the Advisory Council pledge to work collaboratively to implement these recommendations. We encourage the Governor and the Legislature to take an active role and establish a high priority for implementing these recommendations. Reducing the number of uninsured in Michigan will greatly benefit all residents, as well as improve Michigan's business climate.

Achieving health insurance coverage for all Michiganians will require an extensive ongoing effort; thus, we propose the establishment of a successor council. The successor council will establish additional strategies to work toward the goal while responding to changes within the state, the country, the business community, and the insurance industry.

### **Short-term Recommendations**

**1. Public Education Initiative:** To assure an informed public necessary for action towards the goal of accessible, affordable, quality health insurance coverage for all Michigan residents, we recommend that Michigan launch a public education initiative to inform residents and policy makers of the nature, severity and impact of Michigan having between 800,000 and 1.1 million of its residents without health insurance. This educational initiative should center on the ramifications of uninsurance and the importance of having health insurance coverage, such as:

- More severe health problems for those without insurance when they do not receive timely and adequate health care services;
- Cost shifting to purchasers of health insurance – employers, individuals and tax-funded public programs – which compounds the serious health cost problems facing Michigan employers and consumers;
- Reduced competitiveness for all Michigan employers, but especially smaller businesses and those who compete in the international arena;

- Financial endangerment of Michigan hospitals and other providers.

**2. Business Climate:** Covering the uninsured should improve Michigan's business climate by reducing the cost burden of health insurance on Michigan employers. At the same time, expansion efforts, at least in the short term, should seek to maintain or expand upon the employer-based health insurance system. Efforts are needed to address the current erosion in private coverage, and to provide incentives for employers, especially small businesses, to maintain or provide health insurance for their workers.

**3. Michigan First Healthcare Plan:** The Advisory Council supports the direction of the "Michigan First Healthcare Plan" to extend coverage to all the low-income uninsured, which would mean coverage for about half of the total uninsured in Michigan. Council members look forward to working with the Michigan Department of Community Health in development of the program.

**4. Medicaid Payments:** Inadequate Medicaid payment rates for physicians, hospitals, and other health professionals are creating challenges today for the provision of health care services to the Medicaid population, which continues to experience sustained growth as it has over the past five years. Moreover, it is widely understood that inadequate Medicaid payment rates result in providers shifting costs to other payers, driving up expenses for Michigan employers and individuals. Ultimately, inadequate Medicaid payment rates and the shifting of costs to other payers are having an adverse impact on health care access for the people of Michigan. Therefore, it is necessary to address the adequacy of Medicaid payment rates for providers, hospitals, and managed care organizations.

**5. Health Safety Net Providers:** Across Michigan, there is a patchwork of private and public health centers, clinics, and providers that comprise the health care safety net<sup>13</sup>. In addition to serving a

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<sup>13</sup> According to the Institute of Medicine, core safety net providers have two distinguishing characteristics: either by legal mandate or explicitly adopted mission, they offer care to patients regardless of their ability to pay for those services; and a substantial share of their patient mix are uninsured, Medicaid, and other vulnerable patients. In

segment of the uninsured, safety net providers are also significant providers of care to low-income populations, including Medicaid beneficiaries and persons with limited private insurance coverage (the underinsured). The safety net plays a vital role for those who fall outside the medical and economic mainstream, providing access to primary and preventive care for many vulnerable populations. However, the demands placed on many safety net organizations continue to increase. The Advisory Council recommends that the health care safety net provider system be strengthened to better address the health care needs of our most vulnerable populations.

**6. Group Health Plans:** The Advisory Council supports efforts to maximize enrollment of eligible individuals and dependents into group-sponsored health insurance. Every Michigan resident who has access to affordable and adequate group health insurance coverage – through employers, collective bargaining agreements, or public programs – should elect to enroll. Employers, unions, and government should develop incentives to ensure full enrollment. Educational efforts are also needed to inform Michigan residents of the importance of enrolling in available group health plans.

**7. Dependent Coverage:** Employers that offer health insurance to employees should be encouraged and offered incentives to offer dependent coverage (with or without employer contributions). Offering participation in the health insurance pool provides the benefits of group purchase for dependents, as well as potential tax advantages for employers and employees. In addition, health insurance carriers should be encouraged to inform policyholders of available options to continue coverage for dependents that may be losing eligibility as a result of age or change in student status. Educational efforts are also needed to inform Michigan residents of the importance of enrolling dependents in health insurance plans.

**8. Child-Only and Young Adult Policies:** The Advisory Council encourages public and private efforts to raise awareness among families with uninsured children and young adults, of the availability of child-only and young adult health

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in addition, there are other safety net providers that may not meet the definition of a "core" safety net provider but nonetheless provide significant care to the uninsured.

insurance policies, including low-cost options. In addition, health insurance carriers should be encouraged to identify this emerging individual retail market and to develop and promote relevant insurance products for this market. Michigan colleges and universities should encourage students to have health insurance coverage, as well as offer and promote access to low-cost health insurance policies to students who do not have other options.

**9. Child Coverage:** The relatively high levels of coverage for children in Michigan should be maintained and, if possible, increased as efforts to move toward coverage for 100% of Michigan residents are pursued.

### **Successor Council: Ongoing Effort to Achieve Health Care Coverage for All Michiganians**

**10. Successor Council:** The Advisory Council supports creation of a successor council – a partnership that will focus on securing health insurance coverage for all Michigan residents and address the inextricably intertwined issues of cost containment, access, and quality of health care. A priority for the successor council will be to implement the recommendations of the State Planning Project Advisory Council.

The successor council should be non-partisan, independent of state government, and non-profit. It should include representation from all Michigan stakeholders, and be staffed sufficiently to assure its operational effectiveness. Given these characteristics, the successor council would be able to provide broad policy input to key State officials from the political parties and in both the Executive and Legislative branches on elements associated with assuring access to health insurance coverage for all Michiganians. Those implementing the successor council should seek funding from foundation and other private sources, preferably blended funding from a consortium of foundations.

**11. Successor Council Business Plan:** A phased-in project/business plan shall be developed by the successor council for covering the remaining uninsured.

- Each phase shall include: number of uninsured to be covered, timeline, sources of revenue (state and federal), expected costs or outlays, and remaining number of uninsured yet to be covered.
- The successor council shall arrange for a healthcare financing study to determine how health care dollars are spent in Michigan, and provide recommendations for change as appropriate.
- The business/project plan shall incorporate the recommendations of the Advisory Council.
- The business/project plan should be linked with other efforts to secure dramatic, consistent, and measurable improvement in cost, quality, and access.

### **Concluding Comments about the Advisory Council's Process**

The Advisory Council agreed to support the goal of health coverage for all Michiganians following a thorough discussion of the current health insurance environment in our state. The Council was able to reach consensus on the above recommendations because of the willingness of Council members to participate in extended discussion to overcome prior differences. That process enabled the members to better understand the philosophical and economic differences among the members, including all the major perspectives – consumers, employers, government, health care providers, health insurance carriers, organized labor, and voluntary advocacy organizations – and reach consensus that a continued dialogue would be required to meet the ultimate goal of coverage for all Michigan residents.

Implementation of the short-term recommendations would secure health coverage for those up to 200% of the poverty level, as well as for young adults and children, and thus the majority of those currently uninsured. The Successor Council would continue to pursue consensus on the key issue of the roles to be played by the affected parties – consumers, employers, government, health care providers, health insurance carriers, organized labor, voluntary advocacy associations and others – to achieve meaningful health insurance coverage for all Michigan residents.